

State Board of Accounts Special Investigations



Map of Special Investigations Districts April 2018

Office Director: Mark Mahon

Northern District:

- Dean Gerlach, Coordinator
- Stan Willmert
- Mary Jo Small
- Jeff Paul
- Steve Poor
- Kristin Campbell
- Bill Vinson
- Sandy Gerlach

Southern District:

- Tammy Baker, Coordinator
- Gina Gambianni
- Annette Ladson
- David Bixler
- Lynne Spencer
- Jon Bennington
- Eugene West
- Sam Wilson



SBOA Special Investigations Role

- ▶ Assess situations where there is an indication of fraud or other criminal activity involved (Situations = complaints into the SBoA, issues that come up in routine audits, self referrals, law enforcement referrals)
- ▶ Where appropriate, conduct a focused audit/investigation on the activities related to the potential criminal activity
- ▶ Coordinate with law enforcement, prosecutors, and the Indiana Attorney General to resolve the matter through the judicial system
- ▶ Prevent the misuse of public resources through education and outreach

Requirement to Report

- ▶ Indiana Code 5-11-1-27(j) states, in part:
- ▶ “All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the state board of accounts . . .”

Requirement to Report

- ▶ Indiana Code 5-11-1-27(l) states:
- ▶ A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:
 - ▶ (1) information obtained as a result of a police report;
 - ▶ (2) an internal audit finding; or
 - ▶ (3) another source indicating that a misappropriation has occurred;
 shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision.”

Theft in Government at the Local Level Does Happen

1. County Auditor using a county credit card for personal items totaling over \$129,000
2. Utility cash collections not deposited totaling over \$150,000
3. School Treasurer using a school credit card for over \$275,000 in personal expenses
4. School Maintenance Director taking kickbacks from a vendor. Kickbacks identified totaled over \$115,000. Excess costs incurred by the school as a result of the kickbacks totaled over \$825,000.
5. Township Trustee CFO stole over \$340,000 using dummy checking accounts.
6. While these are all high profile, high dollar cases, we conduct numerous special investigations related to thefts in the \$1,000 to \$ 10,000 range each year.



Reasons a "Good Person" May Resort to Theft

1. Expenses related to an Accident or Illness involving a Family Member
2. Spouse's loss of job
3. Overwhelming Debt
4. Passed up for a truly deserved raise
5. Just "borrowing" with intent to repay



Darker Reasons often Unknown to Fellow Workers

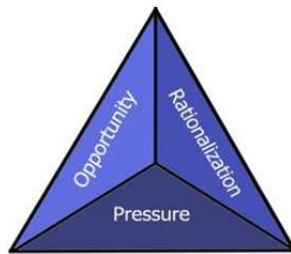
1. Drugs
2. Gambling
3. Blackmail
4. Greed
5. Uncontrolled personal spending



The number one reason?

BECAUSE THEY CAN!

THE FRAUD TRIANGLE



Internal Controls

Reporting Requirement

Indiana Code 5-11-1-27(j) states:

"All erroneous or irregular material variances, losses, shortages, or thefts of political subdivision funds or property shall be reported immediately to the state board of accounts.

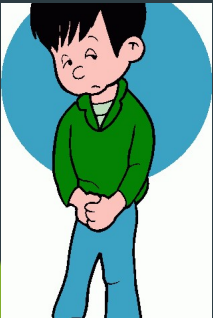
For all material variances, losses, shortages, or thefts, the state board of accounts shall:

- (1) determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials;
- (2) determine the internal control weakness that contributed to or caused the condition; and
- (3) make written recommendations to the appropriate legislative body or appropriate official overseeing the internal control system addressing:
 - (A) the method of correcting the condition; and
 - (B) the necessary internal control policies and internal control procedures that must be modified to prevent a recurrence of the condition."

THE FIVE INTERRELATED COMPONENTS OF INTERNAL CONTROL

- ▶ Control Environment
- ▶ Risk Assessment
- ▶ Control Activities
- ▶ Information and Communication
- ▶ Monitoring

TRUST IS NOT AN INTERNAL CONTROL



WHY IS IT DIFFICULT FOR AN OFFICIAL TO REPORT SUSPECTED FRAUD??

1. Bad Public Relations for the Official and their office.
2. Do not feel the evidence is strong enough
3. Tattletale syndrome
4. Do not want to hurt a persons reputation without just cause
5. Amount taken is not large enough

Reasons to Feel Comfortable Contacting SBOA

1. We do not jump to conclusions based on rumor, innuendo or newspaper or social media comments
2. We do not share our investigation with the press, other officials or other outlets until the completion of our investigation.
3. We work with law enforcement agencies to conduct the most efficient investigation possible.
4. We are an independent outside agency and come into an investigation with no bias or agenda.

What to do if you suspect criminal activity

Contact SBOA as soon as possible

SBOA Director for your unit (Counties are Lori Rogers and Stephanie Heath)

SBOA website (www.in.gov/sboa/)

Mark Mahon, 317-232-2513

Tammy Baker 317-273-9354

Dean Gerlach, 317-677-2284

Regular SBOA audit team if they are on-site
